

# Polk County Aviation Authority

For the Years Ended  
June 30, 2014 & 2013

## Audited Financial Statements And Required Supplementary Information



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## POLK COUNTY AVIATION AUTHORITY

### Officials

Name	Title	Representing
John Pighetti	Chairperson	Polk County
Jeff Wangsness	Secretary	City of Ankeny
Dr. Paul Novak	Treasurer	Polk County
Brant Anderson	Member	City of Altoona
R. Todd Ashby	Member	City of Ankeny
Jason Greubel	Member	City of Bondurant
William Gardner	Member	Polk County
Amy Beattie	Attorney	Brick Gentry PC
Paul Moritz	Staff Administrator	City of Ankeny
Margaret Waldschmitt	Recording Secretary	City of Ankeny
Jennifer Sease	Finance Director	City of Ankeny
Exec 1 Aviation, Inc	Fixed Base Operator	



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Polk County Aviation Authority  
Ankeny, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of Polk County Aviation Authority as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Polk County Aviation Authority, as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9 and 19 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2014, on our consideration of Polk County Aviation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Polk County Aviation Authority's internal control over financial reporting and compliance.



**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
December 1, 2014

**POLK COUNTY AVIATION AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

The following management's discussion and analysis of the Polk County Aviation Authority's (the Authority) financial performance provides an introduction to the financial statements for the fiscal year ended June 30, 2014. It is intended to give the reader an overview of, and additional insight into, the financial activities of the Authority over the past year. This will be done most effectively by reading this discussion and analysis in conjunction with the information contained in the Authority's financial statements.

**Financial Highlights**

- The current assets of the Authority were \$3,581,303 while the current liabilities were \$919,158, a ratio of 4:1.
- The Authority's total assets increased by \$1,710,264 and its total liabilities increased by \$244,758 from 2013.
- The assets of the Authority exceeded its liabilities at the close of the year by \$12,487,323 (net position). Of this amount, \$2,395,511 is unrestricted and may be used to meet the Authority's ongoing obligations, and \$602,592 is restricted for airport improvement projects.

**Overview of the Financial Statements**

Following this discussion and analysis are the basic financial statements of the Authority together with the notes, which are essential to a full understanding of the data contained in the financial statements. The Authority's financial statements are designed to provide readers with a broad overview of the Authority's finances.

The *Statement of Net Position* presents the Authority's financial position, in its entirety, as of June 30. All of the Authority's assets and liabilities are presented with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Authority's overall financial position.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement that will result in cash flows in future periods.

The *Statement of Cash Flows* relates to the flows of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are reported in this statement. A reconciliation is provided at the bottom of this statement to assist in the understanding of the difference between cash flows from operating activities and operating loss.

In addition to the basic financial statements and accompanying notes, this report also presents the *Budgetary Comparison Schedule*.

**POLK COUNTY AVIATION AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

**Financial Analysis**

The following represents the Authority's net position for the years ended June 30:

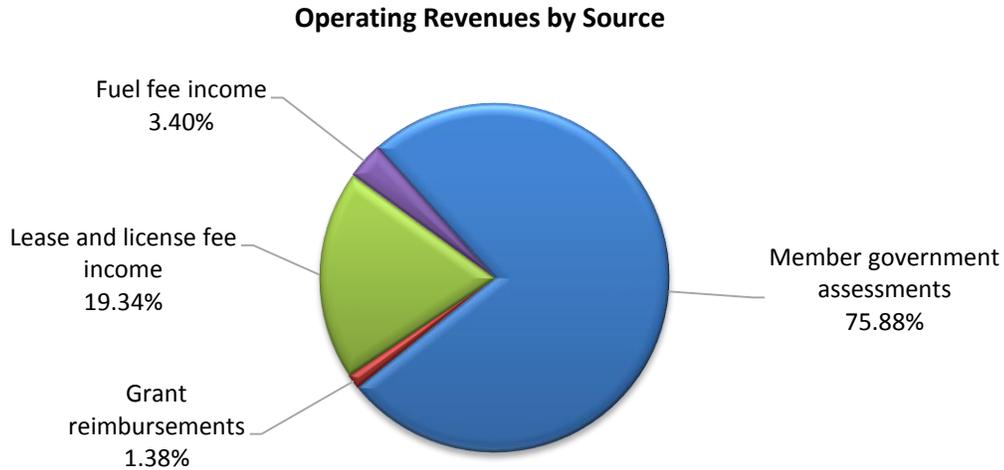
<b>Net Position</b>		
	2014	2013
Current assets	\$ 3,581,303	\$ 2,768,961
Capital assets	11,945,881	11,047,959
Total assets	15,527,184	13,816,920
Deferred outflows of resources	110,043	125,953
Current liabilities	919,158	410,758
Noncurrent liabilities	2,230,746	2,494,388
Total liabilities	3,149,904	2,905,146
Net investment in capital assets	9,489,220	8,438,301
Restricted	602,592	665,412
Unrestricted	2,395,511	1,934,014
Total net position	\$ 12,487,323	\$ 11,037,727

The following represents the Authority's summary of changes in net position for the years ended June 30:

<b>Changes in Net Position</b>		
	2014	2013
Total operating revenues	\$ 868,980	\$ 833,166
Total operating expenses	226,816	300,078
Operating income before depreciation	642,164	533,088
Depreciation	703,720	827,486
Operating loss	(61,556)	(294,398)
Nonoperating income	11,875	11,179
Nonoperating expense	(226,425)	(173,926)
Grant reimbursements	1,725,702	-
Change in net position	1,449,596	(457,145)
Net position - beginning of year, as restated	11,037,727	11,494,872
Net position - end of year	\$ 12,487,323	\$ 11,037,727

**POLK COUNTY AVIATION AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

The following graph summarizes the Authority's operating revenues by source for the year ended June 30, 2014:



The following is a comparison of the Authority's operating revenues by source for the years ended June 30:

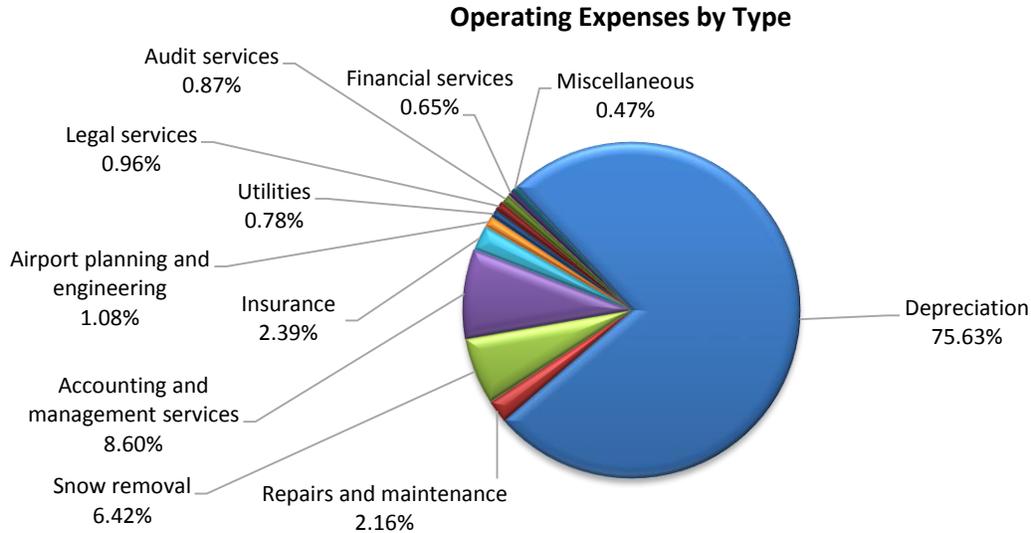
**Operating Revenues by Source**

	2014	2013
Member government assessments	\$ 659,374	\$ 640,721
Grant reimbursements	12,000	-
Lease and license fee income	168,050	164,400
Fuel fee income	29,556	27,853
Other revenue	-	192
<b>Total operating revenues</b>	<b>\$ 868,980</b>	<b>\$ 833,166</b>

- Total operating revenues increased by \$35,814 or 4.30%.
- Operating grant reimbursements increased by \$12,000. Funds received in fiscal year 2014 completed an Airport Improvement Program grant for the terminal development study and an Immediate Safety Enhancement grant for the removal and replacement of the runway end identifier lights (REIL).
- Lease and license fee income increased by \$3,650 or 2.22%. The increase is due to the construction of an additional six-unit T-hangar and the amendment of the management agreement increasing the lease fees paid by the Fixed Base Operator from 20% to 30% of rental income per month.

**POLK COUNTY AVIATION AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

The following graph summarizes the Authority's operating expenses by type including depreciation for the year ended June 30, 2014:



The following is a comparison of the Authority's operating expenses by type for the years ended June 30:

**Operating Expenses by Type**

	2014	2013
Repairs and maintenance	\$ 20,075	\$ 99,115
Snow removal	59,707	62,494
Depreciation	703,720	827,486
Utilities	7,297	6,690
Insurance	22,280	23,382
Airport planning and engineering	10,051	5,312
Accounting and management services	80,009	78,005
Legal services	8,905	12,542
Audit services	8,075	8,075
Financial services	6,037	30
Miscellaneous	4,380	4,433
<b>Total operating expenses</b>	<b>\$ 930,536</b>	<b>\$ 1,127,564</b>

- Total operating expenses decreased by \$197,028 or 17.47%.
- Repair and maintenance costs decreased by \$79,040. All repair and maintenance projects required of the Authority under the management agreement were completed in fiscal year 2013 allowing for substantial savings in fiscal year 2014.
- Airport planning and engineering costs increased by \$4,739 or 89.21% due to several maintenance issues that occurred including gate repairs, tree and brush clearing, runway pavement condition testing and cleaning of the runway sub-drains.

**POLK COUNTY AVIATION AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

- Financial services expenses increased by \$6,007. This increase is due to the issuance of general obligation refunding capital loan notes by Polk County, Iowa on behalf of the Authority. The Authority paid Polk County a fee of \$6,000 for those services.

**Capital Assets and Debt Administration**

**Capital Assets.** The Authority's capital assets, net of accumulated depreciation, as of June 30, 2014, amounts to \$11,945,881. The Authority's capital assets include land, construction in progress, buildings, infrastructure, and equipment and furniture.

The total increase in the Authority's capital assets for the current fiscal year was \$897,922 or 8.13%.

The following represents the Authority's summary of capital assets for the years ended June 30:

	2014	2013
Land	\$ 6,911,879	\$ 6,817,797
Construction in progress	1,400,444	254,708
Aviation museum	162,939	162,939
Equipment and furniture	60,466	60,466
Runway	8,462,384	8,462,384
Taxiway	3,451,883	3,451,883
Apron	1,611,720	1,611,720
T-hangars, access road	2,436,107	2,074,283
Taxiway (offset)	51,951	51,951
Terminal building	758,141	758,141
Parking lot improvements	81,574	81,574
Transmission line lighting	90,876	90,876
Field fence replacement	47,399	47,399
Total	<u>25,527,763</u>	<u>23,926,121</u>
Less: accumulated depreciation	<u>13,581,882</u>	<u>12,878,162</u>
Net	<u><u>\$ 11,945,881</u></u>	<u><u>\$ 11,047,959</u></u>

Major capital asset events during the current fiscal year included the following:

- The Authority incurred expenses of \$94,082 related to the purchase of a parcel of land for the SE Four Mile Drive Relocation/Runway 22 Protection Zone project.
- The Authority held contracts for engineering services and construction of the SE Four Mile Drive Relocation/Runway 22 Protection Zone project and for the Runway 22 Threshold Relocation project. Construction in progress at June 30 was \$1,400,444.
- T-hangars, access road increased by \$361,824 due to the construction of a six-unit T-hangar building. This project was completed in its entirety during the fiscal year.
- Accumulated depreciation on capital assets increased by \$703,720.

**POLK COUNTY AVIATION AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

Additional information on the Authority's capital assets can be found in the notes to the financial statements.

**Long-Term Debt.** At the end of fiscal year 2014, the Authority had total bonded debt outstanding of \$2,525,000. These bonds were issued by Polk County, Iowa on behalf of the Authority. The Authority has entered into a loan and revenue maintenance agreement with Polk County, Iowa to repay the debt.

The Authority's total long-term debt decreased by \$263,642 (10.57%) during fiscal year 2014. The decrease was primarily due to the repayment of bond principal during the fiscal year.

Additional information on the Authority's long-term debt can be found in the notes to the financial statements.

**Budgetary Information**

The Authority prepares an annual budget for all revenues and expenses. The budget is prepared on a modified accrual basis of accounting, which is an accounting method not in conformance with generally accepted accounting principles (GAAP). A budgetary comparison schedule and reconciliation to GAAP can be found in the required supplementary information.

- Change in net position was greater than budgeted by \$37,838.
- Operating revenues were over budget by \$2,606.
- Operating expenses were under budget by \$492,544.

**Authority Development Initiatives**

The Authority is in the process of relocating SE Four Mile Drive for the purpose of protecting the eastern clearance zone for runway 22. Once the roadway realignment is complete, the threshold for runway 22 will be relocated and the pavement will be rehabilitated to allow safe use of the full length of the crosswinds runway. An additional six-unit T-hangar is to be built during fiscal year 2015.

**Requests for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Polk County Aviation Authority, 410 West First Street, Ankeny, Iowa 50023.

**POLK COUNTY AVIATION AUTHORITY**

**Statement of Net Position  
June 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,869,299	\$ 2,055,790
Cash - restricted	470,223	694,201
Accounts receivable	1,236,685	13,877
Prepaid Insurance	5,096	5,093
	<u>3,581,303</u>	<u>2,768,961</u>
<b>Noncurrent assets</b>		
Construction in progress	1,400,444	254,708
Property and equipment	10,545,437	10,793,251
	<u>11,945,881</u>	<u>11,047,959</u>
<b>Total assets</b>	<u>15,527,184</u>	<u>13,816,920</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Advance refunding deferral - net of amortization of \$247,044 and \$231,134	110,043	125,953
<b>Total assets and deferred outflows of resources</b>	<u>15,637,227</u>	<u>13,942,873</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current liabilities</b>		
Accounts payable	567,804	110,750
Interest payable	3,740	12,018
Deferred revenue	11,656	10,247
Bonds payable	330,000	280,000
Premium (discount) on bonds payable	5,958	(2,257)
	<u>919,158</u>	<u>410,758</u>
<b>Long-term debt</b>		
Bonds payable	2,195,000	2,510,000
Premium (discount) on bonds payable	35,746	(15,612)
	<u>2,230,746</u>	<u>2,494,388</u>
<b>Total liabilities</b>	<u>3,149,904</u>	<u>2,905,146</u>
<b>Net position</b>		
Net investment in capital assets	9,489,220	8,438,301
Restricted for airport improvement projects	602,592	665,412
Unrestricted	2,395,511	1,934,014
<b>Total net position</b>	<u>\$ 12,487,323</u>	<u>\$ 11,037,727</u>

See accompanying notes to financial statements.

**POLK COUNTY AVIATION AUTHORITY**

**Statement of Revenues, Expenses and Changes in Net Position  
For the Years Ended June 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>Operating revenues</b>		
Member government assessments	\$ 659,374	\$ 640,721
Grant reimbursements	12,000	-
Lease and license fee income	168,050	164,400
Fuel fee income	29,556	27,853
Other revenue	-	192
Total operating revenues	868,980	833,166
 <b>Operating expenses</b>		
Repairs and maintenance	20,075	99,115
Snow removal	59,707	62,494
Depreciation	703,720	827,486
Utilities	7,297	6,690
Insurance	22,280	23,382
Airport planning and engineering	10,051	5,312
Accounting and management services	80,009	78,005
Legal services	8,905	12,542
Audit services	8,075	8,075
Financial services	6,037	30
Miscellaneous	4,380	4,433
Total operating expenses	930,536	1,127,564
 <b>Operating loss</b>	(61,556)	(294,398)
<b>Nonoperating income (expense)</b>		
Investment income	11,875	11,179
Amortization of bond discount	(17,870)	(2,258)
Bond issuance costs	(56,703)	-
Interest expense	(151,852)	(171,668)
<b>Change in net position before capital contributions</b>	(276,106)	(457,145)
Grant reimbursements	1,725,702	-
 <b>Change in net position</b>	1,449,596	(457,145)
Net position - beginning of year, as restated	11,037,727	11,494,872
<b>Net position - end of year</b>	\$ 12,487,323	\$ 11,037,727

See accompanying notes to financial statements.

**POLK COUNTY AVIATION AUTHORITY**

**Statement of Cash Flows  
For the Years Ended June 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities:</b>		
Member government assessments	\$ 659,374	\$ 640,721
Rental and fee income	199,368	191,030
Grant proceeds received	12,000	-
Cash payments to suppliers for goods and services	(308,712)	(213,110)
Net cash provided by operating activities	562,030	618,641
<b>Cash flows from capital and related financing activities:</b>		
Outlay for property and equipment	(1,062,696)	(187,569)
Bond proceeds received	2,566,703	-
Bond issuance costs	(56,703)	-
Payment of bond principal	(2,790,000)	(265,000)
Payment of bond interest	(144,220)	(156,808)
Grant proceeds received	502,542	-
Net cash used in capital and related financing activities	(984,374)	(609,377)
<b>Cash flows from investing activities:</b>		
Investment income	11,875	11,179
<b>Net increase (decrease) in cash and cash equivalents</b>	(410,469)	20,443
Cash and cash equivalents at beginning of year	2,055,790	1,850,213
Restricted cash and cash equivalents at beginning of year	694,201	879,335
<b>Cash and cash equivalents at end of year</b>	\$ 2,339,522	\$ 2,749,991
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
Operating loss	\$ (61,556)	\$ (294,398)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	703,720	827,486
(Increase) decrease in accounts receivable	353	(700)
(Increase) decrease in prepaid insurance	(3)	713
Increase (decrease) in accounts payable	(81,893)	86,255
Increase (decrease) in deferred revenue	1,409	(715)
Net cash provided by operating activities	\$ 562,030	\$ 618,641

**See accompanying notes to financial statements.**

**POLK COUNTY AVIATION AUTHORITY**

**Notes to Financial Statements**

**June 30, 2014**

**NOTE 1 - ORGANIZATION**

The Polk County Aviation Authority was organized pursuant to the provisions of Chapter 330A of the Code of Iowa 1987. The Authority operates the Ankeny Regional Airport in Ankeny, Iowa on behalf of its member governments, the cities of Altoona, Ankeny, and Bondurant, and the unincorporated area of Polk County. Through a 28E agreement, each member government contributes an annual levy based on the assessed value of taxable property in its jurisdiction. The 28E agreements expire in the years 2020 and 2021. The breakdown of member government assessments for the years ended June 30, 2014, and June 30, 2013, are as follows:

<u>Member Government</u>	<u>2014 Assessment</u>	<u>2013 Assessment</u>
City of Altoona	\$79,553	\$78,692
City of Ankeny	320,888	311,617
City of Bondurant	16,971	16,228
Unincorporated Polk County	241,962	234,184

The Board of Directors of the Authority consists of seven representatives of the member governments. Three representatives are appointed by the Polk County Board of Supervisors; two representatives are appointed by the mayor of Ankeny; one representative is appointed by the mayor of Altoona; and one representative is appointed by the mayor of Bondurant.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Authority prepares its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The accounts of the Authority are organized as an enterprise fund. Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises. The Authority has the following three funds:

**Airport Operations Fund** – to account for all revenues derived from the services and facilities of the airport including tax revenues levied by the member governments and for the costs of operation of the airport including the payment of bond principal and interest. Unrestricted net position for airport operations are \$2,395,511 and \$1,934,014 at June 30, 2014, and 2013, respectively.

**Capital Improvements Fund** – to account for proceeds from the sale of bonds and is used to pay costs of projects, including administrative costs. Net position restricted for airport improvement projects are \$492,405 and \$665,412 at June 30, 2014, and 2013, respectively.

**Federal Obligation Release Fund** – to account for the disposal of property originally acquired with federal grant money. The grant requires that the current fair market value of the property at disposal be set aside and used for aeronautical purposes within five years. Net position restricted for airport improvement projects are \$110,187 and \$0 at June 30, 2014, and 2013, respectively.

The Authority treats all bank accounts and certificates of deposits and all other investments with an original maturity of three months or less as cash equivalents for presentation in the statements of cash flows.

## POLK COUNTY AVIATION AUTHORITY

### Notes to Financial Statements

June 30, 2014

Accounts receivable consists primarily of cost reimbursement and grant receivables from other governmental entities. Management believes that all receivables are collectible and therefore no allowance is recorded.

Deferred revenue reflects payments received on land leases and licenses prior to the date due. The account is adjusted to record revenue in the month of the rental period.

Capital assets are accounted for at historical cost. The cost of repair and maintenance is charged as an expense, while the cost of renewals or substantial betterments is capitalized.

Expenses related to the purchase of land have been capitalized. These include purchase price, appraisal fees, legal fees and crop loss payments.

Expenses relating to construction are capitalized as construction in progress. These costs are capitalized and depreciated when the asset is placed in service.

Depreciation is recorded using the straight-line method over the estimated useful life of the respective assets of five to twenty years.

Expenses relating to the premium or discount on bonds have been capitalized and are being amortized over the life of the bonds.

Advanced refunding deferrals are amortized as a component of interest expense using the straight-line method over the shorter of the remaining life of the original issue or the life of the new issue, and are reported as deferred outflows of resources in compliance with GASB Statement 65 requirements on the statement of net position.

The Authority's policy is to specifically identify which expenditures are paid from restricted funds when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Operating income includes revenues and expenses related to the primary, continuing operations of the Authority. Principal operating revenues includes member government assessments and charges for rentals or services. Principal operating expenses are the costs of maintaining the airport and include administrative expenses and depreciation of capital assets. Grant revenues received for capital improvements, investment income and interest expenses are classified as non-operating in the financial statements.

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF PRIOR PERIOD NET POSITION**

GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, was issued in March 2012, and is effective for the Authority in fiscal year 2014. Debt issuance costs were previously reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt. In compliance with GASB Statement 65 requirements, debt issue costs are now recognized as an expense in the period incurred. The implementation of this statement reduced the

**POLK COUNTY AVIATION AUTHORITY**

**Notes to Financial Statements**

**June 30, 2014**

Authority's net position as of June 30, 2013 by \$36,519 and beginning net position has been restated to reflect the change in accounting principle as follows:

	2014	2013
Beginning net position June 30, as previously reported	\$ 11,074,246	\$ 11,536,003
Debt issuance costs	(36,519)	(41,131)
Beginning net position June 30, as restated	\$ 11,037,727	\$ 11,494,872

**NOTE 4 – INVESTMENTS**

State law and the bond agreements limit the types of investments that may be used by the Authority. Authorized investments include direct obligations of the United States government and its agencies, certificates of deposit, commercial paper, repurchase agreements, open-end management investment companies registered with the Securities and Exchange Commission, and Iowa Public Agency Investment Trust. There are further restrictions related to the ratings of the investments authorized. The investment policy of the Authority does not address concentration of credit risk.

The Authority is part of a state collateral pool that insures funds held for government entities by financial institutions. All of the Authority's funds are held in financial institutions.

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	2013	Additions	Deletions	2014
Land	\$ 6,817,797	\$ 94,082	\$ -	\$ 6,911,879
Aviation museum	162,939	-	-	162,939
Equipment and furniture	60,466	-	-	60,466
Runway	8,462,384	-	-	8,462,384
Taxiway	3,451,883	-	-	3,451,883
Apron	1,611,720	-	-	1,611,720
T-Hangars, access road	2,074,283	361,824	-	2,436,107
Taxiway (offset)	51,951	-	-	51,951
Terminal building	758,141	-	-	758,141
Parking lot improvements	81,574	-	-	81,574
Transmission line lighting	90,876	-	-	90,876
Field fence replacement	47,399	-	-	47,399
Total	23,671,413	455,906	-	24,127,319
Accumulated depreciation	12,878,162	703,720	-	13,581,882
Net	\$ 10,793,251	\$ (247,814)	\$ -	\$ 10,545,437

**NOTE 6 - CONSTRUCTION IN PROGRESS AND COMMITMENTS**

Runway 22 Protection Zone Land Acquisition – The Authority has contracted for engineering services in the amount of \$105,880 for the Runway 22 Protection Zone Land Acquisition project. The Authority has agreed to transfer a 1.67 acre parcel of land with a fair market value of \$110,000 as part of the land acquisition settlement agreement.

**POLK COUNTY AVIATION AUTHORITY**

**Notes to Financial Statements**

**June 30, 2014**

SE Four Mile Drive Relocation – The Authority has contracted for engineering services in the amount of \$211,603 and for construction services in the amount of \$1,283,949 for the SE Four Mile Drive Relocation project.

Runway 4/22 Threshold Relocation and Pavement Rehabilitation – The Authority has contracted for engineering services in the amount of \$170,278 and for construction services in the amount of \$583,013 for the Runway 4/22 Threshold Relocation and Pavement Rehabilitation project.

As of June 30, 2014, construction in progress costs for these projects were \$1,400,444.

**NOTE 7 – LONG-TERM DEBT**

In July 2004, Polk County, Iowa issued general obligation capital loan notes, series 2004B and 2004C, on behalf of the Authority. The series 2004B notes, in the amount of \$2,990,000 with interest rates ranging from 4.75% to 5.25%, were issued to advance refund the 1998 and 2000 revenue bonds. The series 2004C notes, in the amount of \$1,250,000 with interest rates ranging from 4.75% to 5.25%, were issued to fund capital improvements. As a result, the 1998 and 2000 revenue bonds are considered to be defeased and the liability for those bonds has been removed from the liabilities of the Authority. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$357,087 which is shown net of accumulated amortization in the accompanying financial statements as a deferred outflow of resources.

Interest incurred on the notes for the years ended June 30, 2014, and 2013 was \$135,942 and \$155,758 respectively. Interest expense for the years ended June 30, 2014 and 2013 includes amortization of the advance refunding deferral of \$15,910 per year.

As reported in Note 3, GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, was adopted in fiscal year 2014 and total debt issue costs of \$86,257 have been expensed retroactively for the 2004 bond issues.

In May 2014, Polk County, Iowa issued general obligation capital loan notes, series 2014A, on behalf of the Authority. The series 2014A notes, in the amount of \$2,525,000 with interest rates ranging from 1.50% to 2.00%, were issued to current refund the 2004B and 2004C notes. The Authority entered into a loan and revenue maintenance agreement with Polk County, Iowa to repay the debt and all related costs of the bond issuance. In compliance with GASB Statement 65, bond issuance costs of \$56,703 have been expensed during the current fiscal year. The notes are secured by the full faith and credit of the Authority and Polk County. As of June 30, 2014, outstanding bonds payable totaled \$2,525,000.

Bonds payable at 6/30/12	\$ 3,055,000
Principal payment	<u>(265,000)</u>
Bonds payable at 6/30/13	2,790,000
Principal payment	(280,000)
2004B and 2004C GO CLN refunding	(2,510,000)
2014A GO CLN issuance	<u>2,525,000</u>
Bonds payable at 6/30/14	<u>\$ 2,525,000</u>

**POLK COUNTY AVIATION AUTHORITY**

**Notes to Financial Statements  
June 30, 2014**

Future debt service requirements for outstanding general obligation capital loan notes are as follows:

<u>Maturity (June 1)</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>	<u>Interest Rate</u>
2015	\$ 330,000	\$ 43,806	\$ 373,806	1.50%
2016	335,000	37,787	372,787	1.50%
2017	340,000	32,763	372,763	1.50%
2018	355,000	27,663	382,663	1.50%
2019	385,000	22,338	407,338	1.75%
2020-2021	780,000	23,500	803,500	2.00%
	<u>\$ 2,525,000</u>	<u>\$ 187,856</u>	<u>\$ 2,712,856</u>	

**NOTE 8 - RISK MANAGEMENT**

Polk County Aviation Authority is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, environmental issues and natural disasters. These risks are covered by commercial insurance coverage. The Authority assumes liability for any deductibles and claims in excess of coverage limitations.

**NOTE 9- RELATED PARTY TRANSACTIONS**

Management and accounting services are performed by the City of Ankeny, a member government. Amounts paid for these services are reflected in the expense line item accounting and management services. A \$9,929 invoice payable to the City of Ankeny for administrative services is included in accounts payable at June 30, 2014.

The Authority has contracted with the Exec 1 Aviation, the Fixed Base Operator (FBO) to provide on-site management services of the airport premises. Under this agreement, the FBO serves as the leasing agent for all T-hangars, garages and tie-down spaces, collecting rent in return for performing day-to-day maintenance, customer service duties and payment of the utilities for the leased buildings. During fiscal year 2014 the Authority renegotiated the agreement with the FBO increasing the lease payment from \$3,000 plus 20% of the rental income per month to \$3,000 plus 30% of the rental income per month. In addition, the Authority pays the FBO \$5,000 per month to perform other specified maintenance duties including daily inspections, runway light repair labor, mowing services, and a portion of the snow and ice removal services. The Authority continues to be responsible for maintenance of the runways and farm grounds, the perimeter fence and major structural repairs to the buildings. A \$5,000 invoice payable to Exec 1 Aviation is included in accounts payable at June 30, 2014.

The City of Ankeny has issued loans to the Authority in prior years and Polk County has issued bonds on behalf of the Authority as described in Note 7, both are member governments.

The Authority rents 9.85 acres of land to a Board member at \$50 per acre for hay crops.

**NOTE 10 - OTHER AGREEMENTS**

During fiscal year 2014, the Authority amended and substituted several lease and license agreements

## POLK COUNTY AVIATION AUTHORITY

### Notes to Financial Statements

June 30, 2014

with Central Iowa Aviation, LLC, the parent company of Exec 1 Aviation. These agreements are as follows:

Fixed Base Operator Agreement – through December 31, 2028 with two five-year options; \$4,500 per year license fee and \$0.09 per gallon fuel flowage fee each to be renegotiated each five years beginning in calendar year 2014.

Military Aviation Heritage Museum Land License Agreement – through December 31, 2028 with two five-year options; \$1.00 per year license fee.

North Hangar Land License Agreement – through December 31, 2028 with two five-year options; \$0.242 per square foot per year license fee based on 16,800 square feet, payable quarterly. Rental is subject to annual adjustment based on the percentage increase or decrease of the Consumer Price Index for the United States City Average.

FAA Building Land License Agreement - through December 31, 2038 with two five-year options; \$500 per month license fee to be renegotiated each five years.

Terminal Building Lease - through December 31, 2028; rental is \$3,000 per month plus 40% of the excess over \$5,200 received by the Tenant for hangar and office rental.

Maintenance Facility Land License Agreement - through December 31, 2028 with two five-year options; no license fee.

South Hangar Land License Agreement - through December 31, 2028 with two five-year options; no license fee

#### NOTE 11 – LITIGATION

The Authority has settled an appeal of a condemnation award related to land acquisition for the SE Four Mile Drive Relocation and Runway Protection Zone projects. The process of transferring land and completing other terms of the settlement are nearly complete. The probability of an amount having to be paid over and above the settlement award is unlikely.

#### NOTE 12 – SUBSEQUENT EVENTS

The Authority signed a Federal Aviation Administration (FAA) grant agreement in July 2014 for \$636,095 for the Runway 22 Protection Zone Land Acquisition project. The FAA will pay 90% of the project costs or \$572,486.

The Authority signed a Federal Aviation Administration (FAA) grant agreement in August 2014 for \$766,291 for the Runway 4/22 Threshold Relocation and Pavement Rehabilitation project. The FAA will pay 90% of the project costs or \$689,661. In August 2014, the Authority contracted for construction services in the amount of \$583,013 for this project.

The Authority has been awarded a General Aviation Vertical Infrastructure grant from the Iowa Department of Transportation Office of Aviation for the construction of a six-unit T-hangar during fiscal year 2015. The project cost is estimated to be \$306,400, of which the state will pay \$150,000.

**REQUIRED SUPPLEMENTARY INFORMATION**



**POLK COUNTY AVIATION AUTHORITY**

**Budgetary Comparison Schedule  
For the Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Over/(Under) Budget
<b>Operating revenues</b>				
Member government assessments	\$ 659,374	\$ 659,374	\$ 659,374	\$ -
Lease and license fee income	166,000	168,000	168,050	50
Fuel fee income	27,000	27,000	29,556	2,556
State grant reimbursement	-	12,000	12,000	-
Other revenue	1,940	-	-	-
<b>Total operating revenues</b>	<b>854,314</b>	<b>866,374</b>	<b>868,980</b>	<b>2,606</b>
<b>Operating expenses</b>				
Offsite management services	19,000	20,000	20,009	9
Postage and office supplies	100	100	99	(1)
Onsite management services	60,000	60,000	60,000	-
Financial services	-	40	6,037	5,997
Advertising and promotion	-	140	225	85
Publications	2,400	2,400	2,351	(49)
Conferences and seminars	2,500	2,500	396	(2,104)
Legal services	15,000	15,000	8,905	(6,095)
Audit expenses	9,000	8,100	8,075	(25)
General insurance	4,000	3,800	3,800	-
Property insurance	17,800	16,800	16,889	89
Public officials insurance	2,100	1,600	1,591	(9)
Snow removal and mowing	75,000	80,000	59,707	(20,293)
Repairs and maintenance (general)	18,000	20,000	19,635	(365)
Repairs and maintenance (leased property)	30,000	10,000	-	(10,000)
Utilities-general	7,400	7,400	7,297	(103)
Airport planning and engineering	16,000	16,000	10,051	(5,949)
Miscellaneous	500	1,410	1,309	(101)
Six-unit tee hangar	-	355,311	361,824	6,513
SE Four Mile Drive roadway realignment	783,220	1,388,946	1,026,579	(362,367)
Runway 22 RPZ acquisition	-	140,738	115,733	(25,005)
Terminal development study	-	440	440	-
Relocate RW22 threshold	115,473	170,278	97,507	(72,771)
Runway 22 pavement rehabilitation	204,576	-	-	-
<b>Total operating expenses</b>	<b>1,382,069</b>	<b>2,321,003</b>	<b>1,828,459</b>	<b>(492,544)</b>
<b>Other income</b>				
Investment income	12,000	12,000	11,875	(125)
Loan proceeds	-	-	-	-
FAA grant reimbursement	2,379,874	2,041,166	1,575,702	(465,464)
State grant reimbursement	-	150,000	150,000	-
<b>Total other income</b>	<b>2,391,874</b>	<b>2,203,166</b>	<b>1,737,577</b>	<b>(465,589)</b>
<b>Other expenses</b>				
Bond/loan principal	280,000	280,000	280,000	-
Bond/loan interest	144,220	144,220	135,943	(8,277)
<b>Total other expenses</b>	<b>424,220</b>	<b>424,220</b>	<b>415,943</b>	<b>(8,277)</b>
Change in net position	1,439,899	324,317	362,155	37,838
Net position - beginning of year	1,689,988	2,635,945	2,635,945	-
<b>Net position - end of year</b>	<b>\$ 3,129,887</b>	<b>\$ 2,960,262</b>	<b>\$ 2,998,100</b>	<b>\$ 37,838</b>

**POLK COUNTY AVIATION AUTHORITY**  
**Explanation of Differences Between Budgetary**  
**Basis and GAAP Basis Revenues and Expenses**  
**For the Year Ended June 30, 2014**

**Ordinary and other income:**

Actual amount of ordinary income and other income on a budgetary basis from the budgetary comparison schedule	\$ 2,606,557
Total GAAP basis ordinary and other income	<u><u>\$ 2,606,557</u></u>

**Ordinary and other expenses:**

Actual amount of ordinary expenses and other expenses on a budgetary basis from the budgetary comparison schedule	\$ 2,244,402
Bond principal payments are recorded as an expenditure on a budgetary basis, but are not expensed on a GAAP basis	(280,000)
Bond issuance costs are expensed and bond discounts are not recorded on a budgetary basis; these costs and discounts are recorded and amortized under GAAP	90,482
Depreciation and losses on fixed assets are reported on a GAAP basis but are not recorded on a budgetary basis	703,720
Purchases of capital assets are reported as an expense on a budget basis but are capitalized and depreciated on a GAAP basis	(1,601,643)
Total GAAP basis ordinary and other expenses	<u><u>\$ 1,156,961</u></u>

The notes to the required supplementary information are an integral part of this schedule.

**POLK COUNTY AVIATION AUTHORITY**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Other Identification Number</u>	<u>Program Expenditures</u>
Direct:			
U.S. Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program	20.106	3-19-0132-17	\$ 104,159
U.S. Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program	20.106	3-19-0132-18	923,921
U.S. Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program	20.106	3-19-0132-19	<u>87,756</u>
<b>TOTAL FEDERAL AWARDS EXPENDED</b>			<b><u><u>\$ 1,115,836</u></u></b>

Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Board of Directors  
Polk County Aviation Authority  
Ankeny, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Polk County Aviation Authority, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Polk County Aviation Authority's basic financial statements, and have issued our report thereon dated December 1, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Polk County Aviation Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Polk County Aviation Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Polk County Aviation Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Polk County Aviation Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Denman & Company, LLP*  
**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
December 1, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

The Board of Directors  
Polk County Aviation Authority  
Ankeny, Iowa

**Report on Compliance for Each Major Federal Program**

We have audited Polk County Aviation Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Polk County Aviation Authority's major federal program for the year ended June 30, 2014. Polk County Aviation Authority's major federal program is identified in the summary of the independent auditor's results section of the accompanying schedule of findings.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for Polk County Aviation Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Polk County Aviation Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Polk County Aviation Authority's compliance.

**Opinion on Major Federal Program**

In our opinion, Polk County Aviation Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings as item 2014-001. Our opinion on the major federal program is not modified with respect to this matter.

Polk County Aviation Authority's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings. Polk County Aviation Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control over Compliance

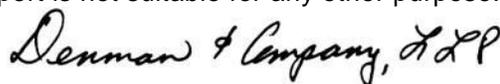
Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings as item 2014-001, which we consider to be a significant deficiency.

The Authority's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
DENMAN & COMPANY, LLP

West Des Moines,  
Iowa December 1, 2014

**Polk County Aviation Authority**  
**SCHEDULE OF FINDINGS**  
Year ended June 30, 2014

**Part I—Summary of the Independent Auditor’s Results**

- (a) An unmodified opinion was issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) One significant deficiency in internal control over its major federal award program was noted. No material weaknesses were reported.
- (e) An unmodified opinion was issued on compliance with requirements applicable to its major program.
- (f) An audit finding that is required to be reported in accordance with Section 510(a) of OMB Circular A133 is reported in this Schedule.
- (g) Major program was as follows:
  - \*CFDA Number 20.106 – Airport Improvement Program
- (h) The dollar threshold used to distinguish between type A and B programs was \$300,000.
- (i) The Polk County Aviation Authority did not qualify as a low-risk auditee

**Polk County Aviation Authority**  
**SCHEDULE OF FINDINGS**  
Year ended June 30, 2014

**Part II—Findings Related to the Financial Statements**

**Instances of Noncompliance**

No matters were noted.

**Internal Control Deficiencies**

No material weaknesses in internal control over financial reporting were noted.

**Polk County Aviation Authority**  
**SCHEDULE OF FINDINGS**  
Year ended June 30, 2014

**Part III—Findings Related to Federal Awards**

**Instances of Noncompliance and Internal Control Deficiency**

**2014-001** Federal Financial Reporting – The Authority entered into grant agreements with the Federal Aviation Administration for reimbursement of allowable costs related to airport development. The terms of these agreements required the submittal of quarterly and annual financial performance reports. Authority officials had outsourced these reporting requirements to the project engineer and therefore believed these reports had been properly filed.

Recommendation – The Authority should implement procedures to provide for timely submittal and accuracy of the federal financial reports.

Response – The Authority will implement procedures to ensure it will submit timely and accurate federal financial reports for all federal grant.

Conclusion – Response accepted.

**Polk County Aviation Authority**  
**SCHEDULE OF FINDINGS**  
Year ended June 30, 2014

**Part IV—Findings Related to Required Statutory Reporting**

**IV-A-14 QUESTIONABLE EXPENSES**

No questionable expenditures of Authority funds were noted.

**IV-B-14 TRAVEL EXPENSE**

No expenditures of Authority money for travel expenses of spouses of Authority officials or employees were noted.

**IV-C-14 BOARD MINUTES**

No transactions were found that we believe should have been approved in the Board minutes but were not.

**IV-D-14 DEPOSITS AND INVESTMENTS**

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Authority's investment policy were noted.